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RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 04 KINSHASA 000951

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TAGS: [ECON](#) [EFIN](#) [EMIN](#) [ELAB](#) [EAIR](#) [PGOV](#) [CG](#)

SUBJECT: DRC JULY MONTHLY ECONOMIC REVIEW

Summary

11. (U)

- Hundreds of MIBA (DRC diamond mining parastatal) employees requested summer leaves of absence following nine months without pay.

- Kinshasa's civil servants are demanding the implementation of the GDRC's "Strategic Document of the Organization of Congolese Civil Service."

- A July 30 memorandum of understanding between the DRC and Angola may lead to the exploration and production of petroleum products in areas around their shared offshore and onshore borders.

- The Belgian Government donated Euros 730,000 (USD 540,200) to rehabilitate the N'Sanga hydroelectric plant in Bas-Congo province.

Mining

12. (U) The Mining Registry of the Ministry of Mines acquired new software to track income from the granting of mining concessions. Mining concessions are currently under moratorium awaiting the results of the GDRC's Mining Commission review of past mining contracts.

13. (U) Katanga Mining Company (KMC) has extracted 33,000 tons of copper ore since April 2007 and projects 40,000 tons per month by August. The KMC concentrator in Kamoto is online and copper ore concentrate is now being delivered. A production line to process copper oxide will be commissioned in August. The KMC Luilu metallurgical plant goes online in September.

14. (U) A delegation from British firm Brinkley Mining came to the DRC to finalize an agreement with the Congolese Atomic Energy Commission (CNEA). Gerard Holden, Brinkley Chairman, discussed uranium mining, currently outlawed in the DRC, with Minister of Mines Mr. Martin Kabwelulu. The previous head of the Regional Center for Nuclear Studies in Kinshasa (CREN-K) was fired over allegations of trading in uranium contracts. Following the Brinkley agreement announcement the Minister of Scientific Research in charge of CREN-K was also fired.

Labor

15. (U) Employees of the tax collection and customs services (OFIDA,

DGRAD and DGI) struck for eleven days countrywide to demand payment of salary in arrears and performance bonuses. The strike disrupted clearance operations at the Kasumbalesa land border crossing into Zambia and at the Port of Matadi, which cost the DRC an estimated 15 billion CF (USD 30 million).

¶16. (U) Prime Minister Gizenga met with the National Committee of Unions (Intersyndical) members to discuss labor concerns. Intersyndical head Symphorien Dunia told the PM that union members (mainly teachers and civil servants) want transportation and lodging concessions by next September, revisions in mining and forestry concession contracts, participation of the Intersyndical in public enterprise restructuring (currently being overseen by the Ministry of Portfolio), and a review of teachers' contracts.

¶17. (U) Employees of the Congolese-Chinese Telecommunications Company (CCT) went on strike in June to demand salary increases and compliance with the DRC Labor Code. Arbitration by the Labor Minister on July 18 resulted in a commitment by CCT to increase the total CCT monthly payroll by USD 5,000.

¶18. (U) A civil servant protest march was averted on July 26th when Prime Minister Gizenga set up a consultation mechanism with the GDRC before granting the approval to march. (Note: Labor unrest is likely again in September as the school year begins and Parliament comes back into session. End note.)

¶19. (U) Hundreds of MIBA (DRC diamond mining parastatal) employees requested summer leaves of absence following nine months of salary arrears and no progress on making badly-needed upgrades of MIBA equipment.

¶10. (U) Congolese security officers arrested four journalists/union

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members who were demanding payment of ten months arrears related to performance bonuses. The CEO of Congolese Television and Radio (RTNC) accused the journalists, employees of RTNC, of insulting President Kabila. Following their arrest they were transferred from the special security services to the police.

¶11. (U) On July 23, Congolese Airways Authority (RVA) employees demonstrated in front of the Ministry of Portfolio against privatization of the RVA, a public enterprise, and demanded payment of three months salary arrears.

¶12. (U) Congolese employees of expatriate shops (Indian, Lebanese, etc) demonstrated on July 2 to demand lunch breaks and respect for legal work schedules. This is the second time in as many years that shop workers have expressed their discontent with working conditions and salaries in what is a non-union setting.

¶13. (U) The Minister of Education for Primary and Secondary Schools declared that so-called "motivation fees" paid by parents to teachers at Congolese public schools will be banned in the coming school year. The GDRC, however, has not made any provisions to increase teachers' salaries. Teachers are already threatening to strike when school starts in September.

¶14. (U) Kinshasa's civil servants are demanding the implementation of the GDRC's "Strategic Document of the Organization of Congolese Civil Service." The document, which covers 2007 through 2011, was amended earlier in the year by experts of the Ministry of Civil Service who are in charge of monitoring civil service reforms.

River Transport

¶15. (U) Lack of signaling on the Congo River between Mbandaka and Kisangani (upriver from Kinshasa) has given local fishermen a means of earning between USD 10 to 20 per day. The fishermen are helping public and privately owned boats find the channels necessary to navigate the ever-changing waterways.

Energy

¶16. (U) Sam O'Brien Kumi, the World Bank head of electricity market projects, was in the DRC July 29 to 30. At a press conference on July 30, Mr. Kumi said that he was here to restart suspended DRC projects, including a USD 178 million program that had been suspended due to recent political instability. Kumi said that project will restart in November 2007 and will increase electricity production of the Inga I hydroelectric plant from 300 MW to 500 MW. This power plant feeds a power line from Inga (Bas-Congo) to Kasumbalesa (Katanga province), some 1500 kilometers away on the Zambian border in the "copper belt." The project will increase electricity sales to the regional electricity market in SADC countries while helping the DRC respond to the mining industry needs for energy in Katanga. (Note: Copper processing, expected to increase greatly over the coming years, requires large amounts of electricity. End note.)

Public Finance

¶17. (U) President Kabila signed the DRC's 2007 budget into law on July 7. This "balanced" budget is for nearly USD 2.5 billion, up from just under USD 2.0 billion in 2006. Based upon the DRC's Poverty Reduction Strategy Paper (PRSP) the budget projects a GDP growth rate of 12 percent, an inflation rate of 8.8 percent, and an average exchange rate of 560 CF/USD. GDP was estimated to amount to USD 5 billion, or less than USD 100 per capita.

¶18. (U) The Ministry of Budget has implemented new software designed to facilitate salary payments to civil servants and reduce opportunities for corruption. The software, funded by France and the European Union, will cover most of the 47,761 government employees working in Kinshasa.

¶19. (U) African Development Bank President (ADB), Donald Kaberuka, a Rwandan, came to Kinshasa to inaugurate the regional ADB office for the Democratic Republic of Congo and Congo Brazzaville. Kaberuka said that the new office demonstrates ADB's willingness to work with client states and project beneficiaries, and to harmonize its actions with development partners.

¶20. (U) The Congolese Central Bank (BCC) has issued a tender to hire

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an auditor to review its financial statements from 2007 to 2009. Meanwhile, the BCC has decreased its interest rates for short-term money market loans from 30 percent to 22.5 percent. (Note: BCC statistics indicate that current foreign exchange reserves are still quite low, at the equivalent of three weeks of foreign exchange spending. End note.)

¶21. (U) The GRDC has made available a USD 30 monthly scholarship. Starting July 9 the scholarship will be available to 50,000 Congolese students who are in their last year of public university. Only those students who are up-to-date on tuition will benefit from this support.

Petroleum

¶22. (U) The Minister of Economy announced a gasoline price decrease for Kinshasa on July 12, from 550 CF/liter (USD 4.18/gallon) down to 535 CF/liter (USD 4.07/gallon).

¶23. (U) A July 30 memorandum of understanding between the DRC and Angola may lead to the exploration and production of petroleum products in areas around their shared offshore and onshore borders. Revenues would be divided equally between the two countries.

Aviation

¶24. (U) The Minister of Economy reduced the cost of jet fuel from 578 CF/liter (USD 4.39/gallon) to 483 CF/liter (USD 3.67/gallon) (West) from 749 CF/liter (USD 8.53/gallon) to 626 CF/liter (USD 4.76/gallon) (East); and from 800CF/liter (USD 6.08/gallon) to 668 CF/liter (USD 5.08/gallon).

¶25. (U) The DRC organized its High Council for Civil Aviation on July 25. The meeting and organization was designed to find solutions to the currently unsafe and insecure condition of Congolese airspace. Other issues included the reduction of technical risks, the lack of training for those maintaining Russian made aircraft, the anarchic granting of operating licenses, the irregular importation of aircraft, the unauthorized construction of flight infrastructure, and the lack of qualifications for some civil aeronautics personnel.

Cooperation

¶26. (U) The President of the African Development Bank (ADB) and the Congolese Minister of Finance signed two project agreements. The first, for USD 105 million, will provide safe water in Kasangulu, Lisala, and Tshikapa. The second provides USD 127 million for the social reintegration of Congolese combatants.

¶27. (U) The World Bank has given Euros 1.2 million (USD 892,000) to the Congolese River Transport Authority (RVF) to rehabilitate the "Congo," a dredging boat.

¶28. (U) The Government of Belgium donated Euros 730,000 (USD 540,200) to rehabilitate the N'Sanga hydroelectric plant in Bas-Congo province. At full capacity the dam will produce 45,000 MW of electricity. Currently only 6.5 percent of DRC families have electricity at home.

Telecommunications Sector

¶29. (U) During a recent trip to China, the Minister of Telecommunications signed a partnership contract with the China International Telecommunication Construction Corporation (CITCC), Alcatel, Shangai Bell, Huawei, and ZTE. These companies will now be able to partner with the Congolese Telecommunications Authority.

Public Enterprises Restructure

¶30. (U) The Ministry of Portfolio has launched the hiring process for new heads of state enterprises through the World Bank-funded Committee for the Reform of State Enterprises (COPIREP). An applicant pool of over 5000 has been reduced to approximately 250 candidates for 78 available positions available (three top jobs at

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the 26 Congolese parastatals.)

Inflation Rate

¶31. (U) The Congolese economy continued its deflationary trend. Post's market basket survey indicates a deflation rate of -1.2 for the month of July. The year-to-date inflation now stands at 16 percent. The deflation is likely due to the stable exchange rate and money mass in circulation. GDRC overspending and consequent reliance on bank financing has been brought under control by the new government, i.e., the Ministers of Finance, Budget and the BCC Governor.

Exchange Rates:

Week ending 6/28 7/12 7/31

CENTRAL BANK RATES 492 496 493

PARALLEL MARKETS:

KINSHASA	490	490	490
LUBUMBASHI	490	490	490
MBUJIMAYI	495	490	485
KISANGANI	495	495	490
GOMA	500	500	495
BUKAVU	500	500	495

MEECE